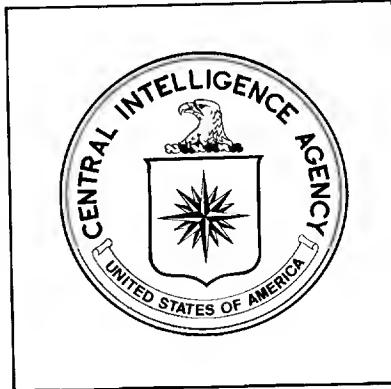


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Soviets Weigh in Against
Sino-Japanese Friendship Treaty

The Soviets are beginning to weigh in with the Japanese against the prospective Sino-Japanese friendship treaty.

Soviet Ambassador Troyanovsky called on Deputy Foreign Minister Arita on February 5 to express Moscow's chagrin over closer Sino-Japanese relations and to urge the Japanese to sign a friendship treaty with the Soviet Union. Gromyko had made an unsuccessful low-key pitch for a friendship treaty when Japanese Foreign Minister Miyazawa was in Moscow last month. The Japanese have refused to buy the Soviets' argument that such a treaty is possible without first settling the northern territories issue.

The Soviets are now busy in Tokyo trying to encourage opposition within the Liberal Democratic party to the treaty with China. Troyanovsky himself saw the party's influential vice president in February, and other Soviets are evidently providing argumentation and other rhetorical ammunition to pro-Taiwan factions within the Liberal Democratic party.

The Soviets almost certainly harbor few illusions that this kind of activity will forestall the signing of a Sino-Japanese friendship treaty. At best, they may hope that their protestations will cause the Japanese to make additional efforts to avoid language, such as was contained in the Chou-Tanaka communique in 1972, that is clearly aimed against the Soviet Union. They probably also have some interest in attempting to put the onus on Tokyo for the cooling in relations that, in considerable measure, stems from Moscow's unwillingness to give any ground on the northern territories. In January, Gromyko made a special effort to indicate to Miyazawa that Moscow did not want trouble over the treaty to interfere with Soviet-Japanese economic

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cooperation. This suggests that the Soviet activity in Tokyo does not presage a significant toughening of Moscow's Japanese policy.

For their part, the Japanese are taking the Soviet protestation with self-satisfied equanimity. Tokyo evidently thinks that it has the Soviets on the defensive and that it may even have gained some new leverage with Moscow.



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Poland Levies Taxes on Wealth and Private Business

Poland has announced one-time taxes on wealthy individuals and on business outside the socialized sector of the economy. By pursuing a "soak-the-rich" policy, Warsaw apparently is trying to cushion the impact of a planned round of retail price increases. It also hopes the taxes will blunt criticism of a planned reduction in the growth of real wages in 1975.

The effect of the new taxes on production in the private sector will probably be negligible because the taxes will fall only on the wealthiest segments of the private sector. Moreover, local officials are authorized to grant tax reductions and exemptions to those who have made a lasting contribution to the development of science, technology, culture, or the national economy. Polish press editorials have emphasized that the taxes are not intended to reduce incentives in the private sector and should not be viewed as a change in the government's attitude toward private business.

The Poles estimate that the wealth tax will apply to only 12,000 families, and the tax on private enterprises to less than 400 individuals. Few of the farmers in private agriculture, which contributes 80 percent of total farm output, will be affected. The revenue raised from the taxes will add up to less than one percent of the revenue from existing direct taxes on individuals and private businesses.

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